

FDIC State Profile

Spring 2004

Wisconsin

Wisconsin's economic conditions remained mixed

- Aggregate employment in Wisconsin held steady in 2003, as some sectors continued shedding jobs, while others expanded (See Table 1). Job losses occurred in three sectors that account for 37 percent of employment in the state.
- Manufacturers cut jobs at nearly the same pace as in 2002. Sharper cutbacks in construction reflected slower residential building activity and limited construction of nonresidential buildings. Government job losses were concentrated at the local (-5,700 jobs) and state (-3,400) levels.
- Gains in other sectors during 2003 were mixed, relative to 2002, reflecting crosscurrents in the different sectors and the fact that the economic expansion is not yet broad based.

Household finances remain under pressure

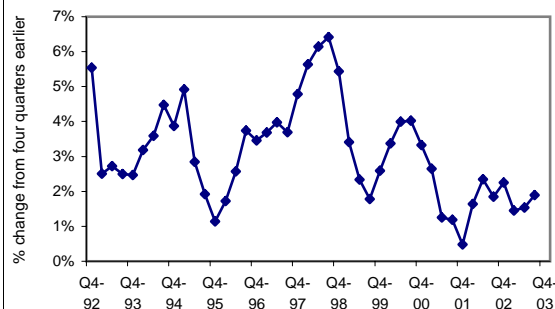
- Personal income growth in Wisconsin slowed to less than 4 percent (measured relative to four- quarters earlier) since 2001 (See Chart 1). Because inflation also slowed, the purchasing power of Wisconsin residents is rising by about 2 percent a year, a slower rate than before the 2001 recession.
- Slower income growth partly reflects that job losses are concentrated in manufacturing and construction, which traditionally pay relatively high wages. In addition, unemployment benefits rose less in 2003, while income from interest, dividends, and rent showed no gain.
- Home resales showed year-over-year appreciation of 3.8 percent in third quarter 2003, compared with 5 to 6 percent gains in 1999 through 2002. Slower appreciation and a modest rise in mortgage rates will limit households' ability to draw additional equity from their homes.
- Personal bankruptcy filings in Wisconsin continued to increase, although less rapidly than in 2001 and 2002.
- The weak financial position of some households also is illustrated by the high 90-day past-due rate on

Table 1: Wisconsin Employment, in the Aggregate, Held Steady in 2003

	# Jobs (000s)	Percent Change from 4 Quarters Earlier			
		Q4-03	Q4-01	Q4-02	Q4-03
Total Employment	2,769	-1.8%	-0.5%	-0.1%	-0.1%
Trade, Transp & Utilities	536	-3.1%	-2.0%	1.4%	
Manufacturing	509	-8.2%	-3.2%	-3.0%	
Government	409	2.9%	0.4%	-2.4%	
Educ. & Health Svcs	369	2.8%	1.7%	3.0%	
Profess'l & Bsn Svcs	241	-5.0%	2.8%	0.5%	
Leisure & Hospitality	239	-0.1%	0.0%	0.5%	
FIRE	159	1.0%	1.2%	3.2%	
Other Services	138	3.9%	2.8%	1.6%	
Construction	115	1.4%	-3.0%	-5.5%	
Information	50	-4.9%	-3.6%	0.1%	
Nat'l Res & Mining	4	0.9%	7.8%	6.4%	

Source: Bureau of Labor Statistics.

Chart 1: Personal Income Growth in Wisconsin, Adjusted for Inflation, Has Been Modest



Source: Bureau of Economic Analysis

Table 2: Net Income at Community Institutions Dipped for Several Reasons

Income statement contribution (as a percentage of average assets)			
	3 months ended Dec 31		Basis Point Change
	2002	2003	
Net Interest Income	3.76	3.79	0.03
Total Noninterest Income	1.19	0.77	-0.42
Noninterest Expense	-2.89	-2.93	-0.04
Provision Expense	-0.38	-0.25	0.13
Security Gains & Losses	0.04	0.02	-0.02
Income Taxes	-0.44	-0.32	0.12
Net Income (ROA)	1.28	1.08	-0.20

Source: Bank and Thrift Call Reports for Wisconsin community institutions

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conventional mortgages (solid line in Chart 2). The state's foreclosure rate on conventional mortgages is the highest since the mid-1980s, yet still approximately 20-basis points below the national rate.

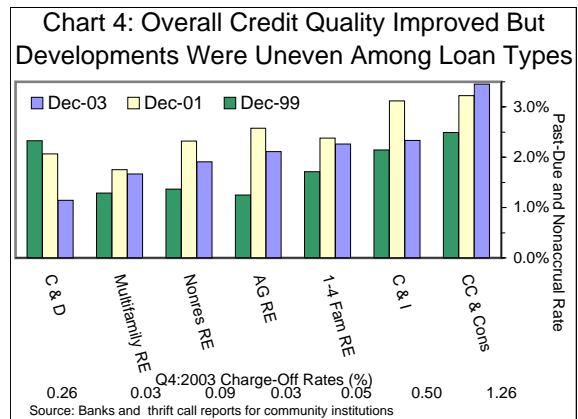
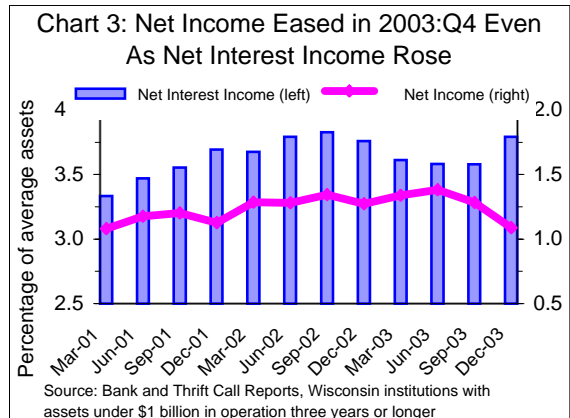
- Tax rebates in spring 2004 may temporarily help bolster households' financial situations.

Conditions changed modestly at community institutions in the past year

- Ninety-five percent of the 311 insured banks and thrifts headquartered in Wisconsin at year-end 2003 were community institutions, with assets under \$1 billion and in operation for three years or longer. Their aggregate income of \$118 million in fourth quarter 2003 was \$8 million lower than a year earlier; and their aggregate return on assets (ROA) dropped 20-basis points to 1.08 percent (See Table 2).
- Net interest income relative to average assets in fourth quarter 2003 was near the top end of its range in the past 12 quarters, but net income was not (See Chart 3).
- Trust fees and service charges on deposits (as a percentage of average assets) matched those of a year earlier, but income from other fees and other sources of noninterest income fell.
- Reflecting some improvement in asset quality, the drop in ROA was cushioned by lower provision expenses. Income taxes also were lower than a year earlier.

Loan quality was an area of improvement

- The median past-due and nonaccrual (PDNA) rate across all loan types at community institutions eased to 2.11 percent on December 31, 2003, after exceeding 2.20 percent in the prior two years.
- With the exception of construction and development loans, PDNA rates at year-end 2003 exceeded those four-years earlier (See Chart 4), before economic weakness turned into recession during 2001.
- Relative to year-end 2002, however, PDNA rates fell for major loan types, except multifamily real estate and loans to individuals via credit cards and other consumer loans. The PDNA for loans to individuals rose, despite a jump to 1.26 percent in the charge-off rate for this type of loan.
- Sustained improvement in national economic conditions, accommodating monetary policy, and lower income taxes may enhance loan repayment abilities of households and businesses in coming quarters.



Wisconsin at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	311	314	322	354	380
Total Assets (in thousands)	109,409,433	103,137,977	103,367,625	97,913,449	92,214,872
New Institutions (# < 3 years)	5	10	14	11	10
New Institutions (# < 9 years)	28	30	32	28	25
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.59	9.34	9.14	8.94	9.00
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	2.03%	2.16%	2.28%	1.79%	1.42%
Past-Due and Nonaccrual >= 5%	28	39	46	27	14
ALLL/Total Loans (median %)	1.27%	1.25%	1.22%	1.21%	1.23%
ALLL/Noncurrent Loans (median multiple)	1.34	1.35	1.33	2.15	2.28
Net Loan Losses/Loans (aggregate)	0.22%	0.26%	0.26%	0.16%	0.17%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	7	10	10	13	15
Percent Unprofitable	2.25%	3.18%	3.11%	3.67%	3.95%
Return on Assets (median %)	1.18	1.21	1.06	1.02	1.11
25th Percentile	0.86	0.86	0.76	0.74	0.82
Net Interest Margin (median %)	3.94%	4.14%	3.86%	3.88%	4.01%
Yield on Earning Assets (median)	5.86%	6.70%	7.75%	8.10%	7.77%
Cost of Funding Earning Assets (median)	1.91%	2.53%	3.86%	4.27%	3.76%
Provisions to Avg. Assets (median)	0.13%	0.15%	0.13%	0.12%	0.10%
Noninterest Income to Avg. Assets (median)	0.70%	0.65%	0.57%	0.53%	0.53%
Overhead to Avg. Assets (median)	2.70%	2.72%	2.69%	2.61%	2.68%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	81.46%	82.16%	83.95%	86.17%	82.89%
Loans to Assets (median %)	69.44%	69.50%	70.37%	71.54%	69.93%
Brokered Deposits (# of Institutions)	136	136	136	155	138
Bro. Deps./Assets (median for above inst.)	3.33%	3.26%	2.59%	3.04%	2.71%
Noncore Funding to Assets (median)	15.22%	15.28%	15.20%	16.05%	13.23%
Core Funding to Assets (median)	73.32%	73.58%	73.82%	73.31%	75.48%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	201	201	207	215	215
National	43	45	49	52	54
State Member	28	27	25	48	68
S&L	7	8	8	9	12
Savings Bank	17	17	16	11	8
Stock and Mutual SB	15	16	17	19	23
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	171	20,260,247	54.98%	18.52%	
Milwaukee-Waukesha WI PMSA	43	50,252,348	13.83%	45.93%	
Madison WI	22	8,077,674	7.07%	7.38%	
Appleton-Oshkosh-Neenah WI	12	3,316,585	3.86%	3.03%	
Wausau WI	10	1,647,795	3.22%	1.51%	
Minneapolis-St Paul MN-WI	8	1,129,064	2.57%	1.03%	
La Crosse WI-MN	8	4,090,728	2.57%	3.74%	
Janesville-Beloit WI	8	1,257,661	2.57%	1.15%	
Eau Claire WI	8	1,079,780	2.57%	0.99%	
Sheboygan WI	5	692,443	1.61%	0.63%	
Racine WI PMSA	5	3,287,584	1.61%	3.00%	
Green Bay WI	5	13,489,260	1.61%	12.33%	
Duluth-Superior MN-WI	4	452,338	1.29%	0.41%	